

NSU FACILITIES CORPORATION
THIBODAUX, LA

FINANCIAL STATEMENTS

June 30, 2014
with
INDEPENDENT AUDITORS' REPORT
THEREON

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NSU Facilities Corporation
June 30, 2014

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CERTIFIED PUBLIC ACCOUNTANTS ———
A PROFESSIONAL CORPORATION

THOMAS J. LANAUX, CPA
MARK S. FELGER, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
NSU Facilities Corporation
Thibodaux, Louisiana

We have audited the accompanying financial statements of NSU Facilities Corporation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

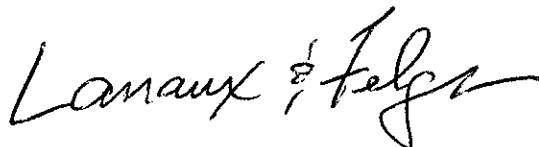
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the NSU Facilities Corporation as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Houma, Louisiana
September 23, 2014



NSU Facilities Corporation
Statements of Financial Position
June 30, 2014 and 2013

ASSETS

	<u>2014</u>	<u>2013</u>
Current assets:		
Investment - bond reserves	\$ 1,729,998	\$ 1,531,593
Lease income receivable	76,401	61,048
Accounts receivable	-	2,292
Accrued interest receivable	1,540	1,540
Total current assets	<u>1,807,939</u>	<u>1,596,473</u>
Restricted for debt service:		
Investment - debt service reserves	<u>5,565,726</u>	<u>5,405,275</u>
Fixed assets:		
Infrastructure improvements	2,905,424	2,905,424
Building improvements	6,363,555	6,363,555
Buildings	67,493,875	47,870,853
Total depreciable assets	<u>76,762,854</u>	<u>57,139,832</u>
Less accumulated depreciation	<u>(15,813,880)</u>	<u>(12,756,474)</u>
Net depreciable assets	60,948,974	44,383,358
Construction in progress	-	19,344,641
Total fixed assets	<u>60,948,974</u>	<u>63,727,999</u>
Other assets:		
Debt issuance costs, net	<u>2,205,080</u>	<u>2,322,210</u>
Total assets	<u><u>\$ 70,527,719</u></u>	<u><u>\$ 73,051,957</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 9,539	\$ -
Accrued interest payable	252,703	258,286
Current maturities of long-term debt	1,545,000	1,395,000
Total current liabilities	<u>1,807,242</u>	<u>1,653,286</u>
Long-term liabilities:		
Tax-exempt bonds payable, net	57,346,548	58,724,619
Taxable bonds payable, net	3,941,565	4,079,880
Unamortized swap interest	178,783	185,649
Deferred lease income	7,168,730	7,500,089
Total long-term liabilities	<u>68,635,626</u>	<u>70,490,237</u>
Total liabilities	<u>70,442,868</u>	<u>72,143,523</u>
Net assets, unrestricted	<u>84,851</u>	<u>908,434</u>
Total liabilities and net assets	<u><u>\$ 70,527,719</u></u>	<u><u>\$ 73,051,957</u></u>

NSU Facilities Corporation
Statements of Activities
Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Changes in unrestricted net assets:		
Revenues:		
Lease income	\$ 5,489,989	\$ 5,980,164
Interest income	138,163	138,698
Gain (loss) on investments	-	(12,680)
Total revenues	<u>5,628,152</u>	<u>6,106,182</u>
Expenses:		
Amortization expense	145,744	145,744
Depreciation expense	3,057,406	2,653,165
Maintenance and repairs	235,888	-
Interest expense	2,642,536	2,474,095
Professional and legal	370,161	338,280
Total expenses	<u>6,451,735</u>	<u>5,611,284</u>
Change in net assets	(823,583)	494,898
Net assets:		
Beginning of the year	<u>908,434</u>	<u>413,536</u>
End of the year	<u><u>\$ 84,851</u></u>	<u><u>\$ 908,434</u></u>

NSU Facilities Corporation
Statements of Cash Flows
Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating activities:		
Change in net assets	\$ (823,583)	\$ 494,898
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,057,406	2,653,165
Amortization of bond discount and bond issuance costs	145,744	145,744
Gain (loss) on investments	-	12,680
Amortization of swap interest	(6,866)	(6,866)
Changes in assets and liabilities:		
Lease income receivable	(15,353)	(1,662)
Accounts receivable	2,292	(2,292)
Accounts payable	9,539	-
Accrued interest receivable	-	16,532
Accrued interest payable	(5,583)	(20,492)
Deferred lease income	(331,359)	(330,206)
Total adjustments	<u>2,855,820</u>	<u>2,466,603</u>
Net cash provided by (used in) operating activities	<u>2,032,237</u>	<u>2,961,501</u>
Investing activities:		
Purchase of investments	(397,360)	(375,094)
Proceeds from investments	38,505	4,202,836
Payments for fixed assets	(31,336)	(1,598)
Payments for construction in progress	(247,046)	(5,537,645)
Net cash provided by (used in) investing activities	<u>(637,237)</u>	<u>(1,711,501)</u>
Financing activities:		
Bond payments	(1,395,000)	(1,250,000)
Net cash provided by (used in) financing activities	<u>(1,395,000)</u>	<u>(1,250,000)</u>
Net increase (decrease) in cash and cash equivalents	-	-
Cash and cash equivalents		
Beginning of year	<u>-</u>	<u>-</u>
End of year	<u>\$ -</u>	<u>\$ -</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 2,902,032</u>	<u>\$ 2,983,509</u>

NSU FACILITIES CORPORATION

Notes to Financial Statements

NOTE 1- FORMATION, OWNERSHIP, AND BUSINESS OF THE CORPORATION

The Organization

The NSU Facilities Corporation (the Corporation) is a nonprofit and is formed to promote, assist, and benefit the mission of Nicholls State University (the University) through the acquisition, construction, development, management, leasing as lessor or lessee, mortgaging and/or conveying student housing and facilities on the campus of the University.

The Corporation is a nonprofit organization as described in Section 501 (c) (3) of the Internal Revenue Code and is exempt from federal and state income taxes.

The Corporation participated in bond issuances by borrowing money from The Louisiana Local Government Environmental Facilities and Community Development Authority (the "Issuer") who issued \$3,320,000 (Series 2006A), \$5,000,000 (Series 2006B), \$17,680,000 (Series 2007A), \$32,380,000 (Series 2007B) and \$10,860,000 (Series 2010) in revenue bonds which will be payable solely from the revenues of the Corporation. The bond proceeds are used to acquire, construct, develop, and renovate fixed assets.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned; expenses and costs are recognized when incurred.

Investment securities

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Short-term investments held restricted for debt service and other purposes under the bond indentures are stated at cost which approximates market value.

Unrestricted net assets

None of the Corporation's net assets are subject to donor-imposed restrictions. Accordingly, all net assets are accounted for as unrestricted net assets.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates; however, in the opinion of management such differences will not be material to the financial statements.

NSU FACILITIES CORPORATION

Notes to Financial Statements, continued

Revenue recognition

Lease revenue consists of base rentals and additional rental. Base rentals are determined by the annual debt service requirement of the corporation and are accrued ratably over the lease. Additional rentals consist of any and all expenses, of every nature, character, and kind whatsoever, incurred by the management, operation, ownership, and/or maintenance of the facilities. Additional rentals are recorded as revenue when the related expense is incurred.

Cash and cash equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months except for short-term investments held in the Corporation's investment account, which are primarily held for investment in long-term assets or reserved for the payment of long-term debt. The carrying value of cash and cash equivalents is cost, which approximates fair value because of the short maturities of those financial instruments. The Corporation has no cash or cash equivalents at June 30, 2014 and 2013.

Fixed assets and depreciation

Fixed assets are recorded at cost and include interest capitalized in connection with major long-term construction projects. Replacements and major improvements are capitalized; maintenance and repairs are charged to operations as incurred. Depreciation is computed using the straight-line method over the estimated useful property lives as follows:

Infrastructure improvements	16 – 18 Years
Building improvements	22 – 23 Years
Buildings	10 – 32 Years
Construction in progress	No depreciation taken.

Depreciation expense totaled \$3,057,406 and \$2,653,165 for the years ended June 30, 2014 and 2013, respectively.

Construction in progress

Construction in progress consists of development costs, direct and indirect construction costs and capitalized interest. The costs are accounted for as construction in progress until such time as the project is complete and the assets are placed into service. The assets are then classified as property and equipment and depreciated accordingly.

Capitalized interest is recorded based upon interest expense incurred on the Corporation's borrowings, offset by the investment income earned on the related tax-exempt bond proceeds. Total interest incurred for the years ended June 30, 2014 and 2013 was \$2,889,583 and \$2,969,882, respectively. Of those amounts, \$247,047 and \$495,787 was capitalized for the years ended June 30, 2014 and 2013, respectively.

NSU FACILITIES CORPORATION

Notes to Financial Statements, continued

Debt issuance costs

Costs incurred in connection with the issuance of the bonds are amortized using the straight-line method over the lives of the associated bonds and are reported net of accumulated amortization as follows at June 30,:

	2014	2013
Debt issuance costs, gross	\$ 2,976,745	\$ 2,976,745
Accumulated amortization	(771,665)	(654,535)
Debt issuance costs, net	<u>\$ 2,205,080</u>	<u>\$ 2,322,210</u>

NOTE 3 – INVESTMENTS - BOND RESERVES

The funds held by the Bond Trustees consist of cash, money market investments, municipal obligations and a guaranteed investment contract issued by an insurance company. The municipal obligations are measured on a recurring basis at market value based on quoted prices in active markets (Level 1). No other assets or liabilities are measured at fair value. All other short-term investments are stated at cost, which approximates market.

Under the terms of the various Trust Indentures or similar documents, various funds such as Project, Capitalized Interest, Replacement, and Debt Service must be established and maintained for each of the projects. These or associated documents govern the types of investments and requirements for collateralization.

The bond indentures contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum bond coverages.

Investment income is generally reported as a change in net assets. Investment income on the proceeds of tax-exempt bonds is reported as a change in net assets to the extent it exceeds capitalized interest on the related project.

Investments consist of the following at June 30:

	2014 Carrying Value	2013 Carrying Value
Investment – bond reserves:		
Money Market Funds	<u>\$ 1,729,998</u>	<u>\$ 1,531,593</u>
Investment – debt services reserves:		
Money Market Funds	\$ 2,289,779	\$ 2,129,328
Guaranteed investment contract:		
Natixis Funding Corp 4.213%	<u>3,275,947</u>	<u>3,275,947</u>
	<u>\$ 5,565,726</u>	<u>\$ 5,405,275</u>

NSU FACILITIES CORPORATION

Notes to Financial Statements, continued

Investment return consists of the following for the years ended June 30,:

	<u>2014</u>	<u>2013</u>
Interest income	\$ 138,163	\$ 138,698
Gain (loss) on investments	<u>-</u>	<u>(12,680)</u>
	<u>\$ 138,163</u>	<u>\$ 126,018</u>

NOTE 4 – GROUND LEASE

The Corporation leases the land on which the facilities are located from the Board of Supervisors of the University of Louisiana System, pursuant to two ground lease agreements commencing on May 1, 2006 and August 1, 2007. Lease payments of \$2 per year are payable to the Board in advance. The lease term extends until the related bond issue is paid or defeased or the Board exercises its option to purchase under the Facilities Lease.

The Corporation leases the land and improvements on which the recreation center is located from the Board of Supervisors of the University of Louisiana System, pursuant to the ground lease agreement commencing on April 1, 2009. Lease payments of \$1 per year are payable to the Board in advance. The lease term extends until the related bond issue is paid or defeased. The lease may also terminate upon failure to commence construction of the project within three years, mutual agreement of the Corporation and the Board, or if the Board exercises its option to purchase under the Facilities Lease.

NOTE 5 – FACILITIES LEASE

The Corporation leases facilities to the Board under three facilities lease agreements (the "Facilities Leases"), beginning on May 1, 2006, August 1, 2007 and December 1, 2010. The rental payments under three Facilities Leases consist of Base Rentals and Additional Rentals. Base Rentals are equal to the annual debt service payments due on the Corporation's long-term bonds. Additional Rental consists of any and all expenses, of every nature, character, and kind whatsoever, incurred by the Corporation on behalf of the Board and/or by the Board or the University in the management, operation, ownership, and/or maintenance of the facilities. The Board shall be entitled to a credit against and reduction of each Base Rental payment in an amount equal to any amounts derived from accrued interest from the sale of the Bonds and/or surplus moneys, including investment earnings.

The leases include purchase options under which the Board may elect to purchase the leased facilities for an amount equal to the outstanding principal and interest due on the bonds plus any prepayment penalties and any other costs or charges which may become due as a result of the prepayment.

NSU FACILITIES CORPORATION

Notes to Financial Statements, continued

Minimum future lease revenues consist of Base Rental payments. Additional Rentals are considered contingent rentals because they are not fixed in the lease agreements. Contingent rentals of \$386,188 and \$807,392 are included in rental income for the years ended June 30, 2014 and 2013, respectively. Minimum rental payments to be received under non-cancelable operating leases over the next five years are as follows:

Year Ending June 30,	Amount
2015	\$ 5,029,176
2016	5,116,401
2017	5,126,707
2018	5,128,876
2019	5,135,707
Total	<u>\$ 25,536,867</u>

NOTE 6 – LONG-TERM DEBT

Bonds payable

On May 1, 2006, the Louisiana Local Government Environmental Facilities and Community Development Authority (the Issuer) issued \$3,320,000 of non-taxable Series 2006A Bonds and \$5,000,000 of taxable Series 2006B Bonds pursuant to an Indenture of Trust between the Issuer and the J.P. Morgan Trust Company, N.A. (the Trustee).

Pursuant to loan agreements between the Issuer and the Corporation, the Issuer has loaned the proceeds of the Bonds to the Corporation. The proceeds are being used to finance improvements to streets and parking facilities and the cafeteria and Student Union facilities, provide working capital for operation of the new and renovated facilities, fund interest on the bonds during the construction and renovation period, fund a Debt Service Reserve Fund, and pay the cost of issuing the bonds.

On August 23, 2007, the Louisiana Local Government Environmental Facilities and Community Development Authority (the Issuer) issued \$17,680,000 of non-taxable Series 2007A Bonds and \$32,380,000 of non-taxable Series 2007B Bonds pursuant to an Indenture of Trust between the Issuer and the J. P. Morgan Trust Company, N.A. (the Trustee).

Pursuant to loan agreements between the Issuer and the Corporation, the Issuer has loaned the proceeds of the Bonds to the Corporation. The proceeds are being used to finance the demolition of four existing housing facilities and a university police building, the renovation of La Maison du Bayou, Callecas Hall and Ellender Hall, the development and construction of approximately 606 new suite configuration on-campus student housing beds and related facilities, the acquisition by the Corporation of a leasehold interest in 408 existing apartment beds on campus, the defeasance of the prior bonds associated therewith, currently outstanding in the amount of \$15,720,000, funding a deposit to the Debt Service Reserve Fund, paying capitalized interest on the Series 2007 Bonds and paying the cost of issuance of the Series 2007 Bonds.

NSU FACILITIES CORPORATION

Notes to Financial Statements, continued

On December 1, 2010, the Louisiana Local Government Environmental Facilities and Community Development Authority (the Issuer) issued \$10,860,000 of non-taxable Series 2010 Bonds pursuant to an Indenture of Trust between the Issuer and Regions Bank (the Trustee).

Pursuant to loan documents between the Issuer and the Corporation, the Issuer has loaned the proceeds of the Bonds to the corporation. The proceeds are being used to finance a new recreation center and pay the cost of issuing the bonds.

Pursuant to security agreements, leasehold deeds to secure debt, assignment of contract documents and assignment of rents between the Corporation and the Trustees, the Corporation grants to the Trustee first lien security title in the leasehold estates created by the ground leases and a security interest in the revenues and accounts generated by the operations of the Corporation. The Corporation also assigned to the Trustee its rights under various agreements and contracts. Pursuant to the Indenture, the Issuer assigned all of their interest in the loan agreements to the Trustee to secure the bonds.

Long-term debt consists of the following at June 30:

Taxable bonds:	<u>2014</u>	<u>2013</u>
Series 2006B - \$5,000,000 taxable term bonds payable dated May 1, 2006; due at various intervals through April 1, 2031; payable in semi-annual installments of interest and annual installments of principal; average coupon rate of 6.6899%; secured by leasehold deed and assignment of rents.	\$ 4,110,000	\$ 4,240,000
Less unamortized discount	(28,435)	(30,120)
Less current maturities	<u>(140,000)</u>	<u>(130,000)</u>
Taxable bonds payable, net	<u>\$ 3,941,565</u>	<u>\$ 4,079,880</u>

NSU FACILITIES CORPORATION

Notes to Financial Statements, continued

	<u>2014</u>	<u>2013</u>
Tax-exempt bonds:		
Series 2006A - \$3,320,000 tax-exempt term bonds payable dated May 1, 2006; due at various intervals through April 1, 2026; payable in semi-annual installments of interest and annual installments of principal; average coupon rate of 4.649%; secured by leasehold deed and assignment of rents.	\$ 2,320,000	\$ 2,460,000
Series 2007A - \$17,680,000 tax-exempt term bonds payable dated August 23, 2007; due at various intervals through June 1, 2024; payable in semi-annual installments of interest and annual installments of principal; average coupon rate of 4.3839%; secured by leasehold deed and assignment of rents.	13,930,000	14,860,000
Series 2007B - \$32,380,000 tax-exempt term bonds payable dated August 23, 2007; due at various intervals through June 1, 2039; payable in semi-annual installments of interest and annual installments of principal; average coupon rate of 4.122%; secured by leasehold deed and assignment of rents.	32,380,000	32,380,000
Series 2010 - \$10,860,000 tax-exempt term bonds payable dated December 1, 2010; due at various intervals through October 1, 2041; payable in semi-annual installments of interest and annual installments of principal; average coupon rate of 4.6110%; secured by leasehold deed and assignment of rents.	<u>10,475,000</u>	<u>10,670,000</u>
Subtotal tax-exempt bonds	59,105,000	60,370,000
Less unamortized discount	(353,452)	(380,381)
Less current maturities	<u>(1,405,000)</u>	<u>(1,265,000)</u>
Tax-exempt bonds payable, net	<u>\$ 57,346,548</u>	<u>\$ 58,724,619</u>

Net unamortized discount

The net bond discount recognized upon the issuance of the bonds is being amortized over the life of the bonds using the straight-line method which materially approximates the effective interest method.

NSU FACILITIES CORPORATION

Notes to Financial Statements, continued

Maturities of long-term debt at June 30, 2014 are as follows:

	<u>Tax-exempt bonds payable</u>	<u>Taxable bonds payable</u>
Year ending June 30,:		
2015	\$ 1,405,000	\$ 140,000
2016	1,550,000	145,000
2017	1,620,000	155,000
2018	1,690,000	165,000
2019	1,765,000	175,000
2020 and thereafter	<u>51,075,000</u>	<u>3,330,000</u>
	<u>\$ 59,105,000</u>	<u>\$ 4,110,000</u>

Interest Rate Swap Agreement

The Louisiana Local Government Environmental Facilities and Community Development Authority (the "Authority") issued its \$32,380,000 Revenue Bonds (Nicholls State University Student Housing / NSU Facilities Corporation Project) Series 2007B Bonds (the "Bonds"), the proceeds of which were loaned to the NSU Facilities Corporation (the "Corporation"). The Bonds were issued as variable rate securities and bear interest at the variable rate in effect from time to time. On December 16, 2010 the bonds were converted to a different variable rate mode, from auction rate to a variable rate demand bond secured by the existing Assured Guaranty bond insurance with liquidity provided by a Regions Bank stand-by bond purchase agreement confirmed by a Federal Home Loan Bank-Atlanta letter of credit. The necessity of this conversion was due to the disruption in the auction rate market place.

Objective of the interest rate swap: In order to hedge interest rate exposure on the Bonds at the request of the Corporation, the Authority entered into an interest rate swap (the "Swap") with Morgan Keegan Financial Products, Inc. (the "Provider"). The Swap was originally effective as of August 15, 2007 and was subsequently amended on June 20, 2008 as more fully described in the Master Agreement, Schedule to the Master Agreement, Replacement Transaction Agreement and Confirmation dated August 15, 2007 and the Amended Confirmation dated June 20, 2008 (the "Swap Documents").

Corporation Liable for Swap Payments. The Corporation is liable to the Authority to make Swap payments and Bond debt service payments pursuant to the terms of the transaction documents. Any amounts owed by the Authority to the Provider of the Swap are obligations of the Corporation.

Terms: Under the terms of the Swap since July 1, 2010, the Authority pays a fixed rate of 4.122%, and the Provider pays a variable rate equal to 70% of the London Interbank Offered Rate (LIBOR) beginning July 1, 2010 through June 1, 2039, all as more fully described in the Swap Documents.

Fair Value: The fair value of the swap agreement as of June 30, 2014, which is not reported in the financial statements, was \$9,249,000 in favor of the Provider. The fair value was provided by Sisung Securities Corporation.

NSU FACILITIES CORPORATION

Notes to Financial Statements, continued

Credit Risk: Credit risk is the risk that the counterparty will not fulfill its obligations. At June 30, 2014, the Authority is not exposed to credit risk because the swap has a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the Authority would be exposed to credit risk in the amount of the swap's fair value.

Basis Risk: Basis risk is the risk that arises when variable interest rates on a swap and the associated debt are based on different indexes. The interest rates for the swap are a variable rate equal to 70% of the one month London Interbank Offered Rate (LIBOR) and the bonds are based on the Securities Industry and Financial Markets Association Swap Index (formerly the Bond Market Association Municipal Swap Index, also known as SIFMA or BMA); therefore, the Authority is subject to basis risk.

Termination Risk: The Authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. The swap agreement may be terminated if either party fails to make payment, when due, under the swap agreement; breaches the agreement; made or repeated or deemed to have made or repeated a misrepresentation; bankrupts; or merges without assumption or commits an illegality. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value.

Rollover Risk: Rollover risk is the risk that the swap does not extend to the maturity of the associated debt. The Authority is not exposed to rollover risk because the swap terminates in conjunction with the maturity of the associated bond. The swap terminates on June 1, 2039, and the bonds mature on June 1, 2039.

Interest Rate Risk: Interest rate risk is the risk that the interest rate will change over some interval while the bonds are outstanding. The Authority has entered into this fixed rate swap agreement to mitigate interest risk associated with the underlying variable rate bonds.

NOTE 7 – CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

Substantially all of the Corporation's revenues are generated through the lease of student housing and other facilities to Nicholls State University. The University's primary sources of funding for the lease payments are student fees for room and board, parking and other student assessments. The Legislature of the State of Louisiana and the Board of Supervisors of the University of Louisiana System have significant control over the future funding and operations of the University. Changes in funding or policy by these entities, which result in a significant decrease in student enrollment, could have a significant adverse impact on the Corporation.

NOTE 8 – SUBSEQUENT EVENTS

The Corporation evaluates events occurring subsequent to the date of financial statements in determining the accounting for and disclosure of transactions and events that effect the financial statements. Subsequent events have been evaluated through September 23, 2014, the date the financial statements were available for issuance.

NSU FACILITIES CORPORATION
THIBODAUX, LOUISIANA

SCHEDULE OF REPRESENTATIONS

June 30, 2014

with

INDEPENDENT ACCOUNTANTS' REPORT
THEREON

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INDEPENDENT ACCOUNTANT'S REPORT

The Board of Directors
NSU Facilities Corporation
Thibodaux, Louisiana

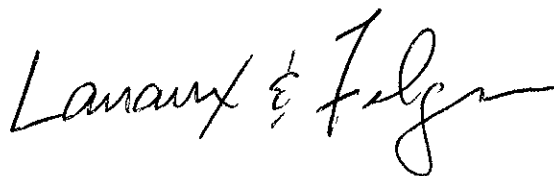
We have examined the accompanying Schedule of Representations of NSU Facilities Corporation for the year ended June 30, 2014. NSU Facilities Corporation's management is responsible for the Schedule of Representations. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the Schedule of Representations and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the schedule referred to above presents, in all material respects, the representations of NSU Facilities Corporation based on criteria established by the Board of Supervisors of the University of Louisiana System.

The report is intended solely for the information and use of NSU Facilities Corporation and the Board of Supervisors of the University of Louisiana System and is not intended to be and should not be used by anyone other than those specified parties.

Houma, Louisiana
September 23, 2014



NSU Facilities Corporation & Nicholls State University
Schedule of Representations
Year Ended June 30, 2014

REPRESENTATION # 1

Board of Directors:

- a) Officers and members of the corporation's Board of Directors, with a brief biography of each and the expiration of their term is as follows:

Board Member	Term	Term Expires	Office Held
Mr. Michael Gauthier	5 years	July 8, 2015	Secretary - Treasurer
Mr. Joseph Kolwe	5 years	July 8, 2016	Vice Chairperson
Mr. Eugene G. Gouaux, Jr.	5 years	July 8, 2016	Chairperson
Mr. Eugene Dial, Jr.	5 years	July 8, 2017	Board Member
Mr. Michael Naquin	5 years	July 8, 2017	Board Member

Mr. Michael Gauthier – Retired as City President of Regions Bank of Thibodaux in 2007. He has worked in the banking industry as founder and president for thirty-three (33) years. Michael is a graduate of Louisiana State University and is a certified public accountant and licensed insurance agent.

Mr. Joseph Kolwe – A Certified Public Accountant licensed to practice public accounting in the State of Louisiana. His office is located in Thibodaux and he has practiced public accounting since 1983. Joe is a 1973 Accounting graduate of Nicholls State University.

Mr. Eugene G. Gouaux, Jr. – An attorney who has been in private practice for over thirty (30) years and whose law office is located in Lockport, LA. Eugene lives in Thibodaux and is a graduate of Nicholls State University and Southern University Law School. Eugene previously served eight (8) years on the Lafourche Parish School Board.

Mr. Eugene Dial, Jr. – Vice President for Student Affairs and Enrollment Services at Nicholls State University. Eugene is a graduate of the University of Louisiana at Lafayette and holds a Doctorate of Philosophy in Higher Education from Florida State University.

Mr. Michael Naquin – Assistant Vice President for Finance at Nicholls State University. Michael is a 1978 Accounting Graduate of Nicholls State University and became a CPA licensed to practice public accounting in the State of Louisiana in 1986. Michael has been employed at Nicholls State University for over thirty (30) years.

- b) A schedule of board meetings held during the year ended June 30, 2014, is as follows:

September 3, 2013
October 2, 2013
June 13, 2014

REPRESENTATION # 2

Corporate and/or Statutory Responsibilities

- a) No changes were made to the Articles of Incorporation or the Bylaws during the current fiscal year.
- b) The federal income tax return, Form 990, for the year ended June 30, 2014 will be filed by its due date by Lanaux & Felger, CPAs, APC as part of their engagement agreement.
- c) The NSU Facilities Corporation has filed the appropriate registration with the Louisiana Secretary of State during the 2013-14 fiscal year and is currently in good standing.
- d) The Corporation deposited and/or held the following public funds during the year under audit:
The only funds held by the Corporation directly relating to the University are on deposit with the Trustee for payment of Series 2006A, Series 2006B, Series 2007A, Series 2007B and Series 2010 Bonds.

REPRESENTATION # 3

Contracts

- a) All lease, lease-back, financing (bond covenants, trustee agreements, etc.), and/or any other agreements that NSU Facilities Corporation has with the Board of Supervisors for the University of Louisiana System on behalf of Nicholls State University are as follows:
 - 1. Ground and Facilities Lease Agreement dated May 1, 2006
 - a. First Amendment to Ground and Facilities Lease Agreement dated December 1, 2006.
 - b. Second Amendment to Ground and Facilities Lease Agreement dated August 1, 2007.
 - 2. Agreement to Lease with Option to Purchase dated May 1, 2006.
 - a. First Amendment to Lease with Option to Purchase dated August 1, 2007.
 - 3. Ground and Buildings Lease Agreement dated August 1, 2007.
 - a. First Amendment to Ground and Buildings Lease Agreement dated February 25, 2008.
 - 4. Agreement to Lease with Option to Purchase dated August 1, 2007.
 - a. First Amendment to Agreement to Lease with Option of Purchase dated February 25, 2008.
 - 5. Ground and Facilities Lease Agreement dated April 1, 2009.
 - a. First Amendment to Ground and Facilities Lease Agreement dated December 1, 2010.
 - 6. Agreement to Lease with Option to Purchase dated April 1, 2009.
 - a. First Amendment to Agreement to Lease with Option to Purchase dated December 1, 2010.
- b) All debt service payments on Series 2006A, Series 2006B, Series 2007A, Series 2007B and Series 2010 Bonds have been made timely to the Trustee.
- c) There were no payments due the University.
- d) All payments for debt service have been deposited in a timely manner and in the appropriate reserve accounts when collected.

REPRESENTATION # 4

Relationship to University

- a) **Series 2006A, Series 2006B, Series 2007A, Series 2007B Bonds and Series 2010 Bonds**
The ground lease, facilities lease (bond covenants, trustee agreements, etc.), and agreements with the Board of Supervisors for the University of Louisiana System and Nicholls State University are disclosed in the notes to the financial statements.

There are no contracts between the Corporation and any member of its Board of Directors, any member of the University of Louisiana System Board of Supervisors, any University of Louisiana System employee, or any university employee.

- b) There have been no payments for supplemental compensation and/or benefits for a University of Louisiana System or University employee paid during the fiscal year being audited.

REPRESENTATION # 5

Repair and Replacement Reserve Accounts

- a) Funding:
- a. Series 2006A – Funded by a single payment from the University. No annual payments are required. Funds are held by the University.
 - b. Series 2006B – Funded annually by the University. Funds are held by the University.
 - c. Series 2007 - funded annually by NSU Facilities Corporation.
 - d. Series 2010 - funded annually by NSU Facilities Corporation, beginning one year from project completion. No payments required at June 30, 2014.

- b) All required contributions to the Reserve accounts have been made as scheduled.

- c) Balances as of June 30, 2014:

Funded and held by University:

Series 2006A - \$ 284,000

Series 2006B - \$ 626,127

Funded by NSU Facilities Corporation and held by Trustee:

Series 2007 - \$1,614,677